UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

Laborers' Local 235 Benefit Funds, Individually and On Behalf of All Others Similarly Situated,	§	
Plaintiff,	§	
vs.	§	Civil Action No.
Adeptus Health Inc., Thomas S. Hall, Timothy L. Fielding, Richard Covert, Daniel W. Rosenberg, Gregory W. Scott, Ronald L. Taylor, Jeffery S. Vender, Steven V. Napolitano, Daniel J. Hosler, Stephen M. Mengert, Sterling Partners, Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Evercore Group L.L.C., Morgan Stanley & Co. LLC, Piper Jaffray & Co., RBC Capital Markets LLC, Dougherty & Company LLC, Deutsche Bank Securities Inc., and BMO Capital Markets Corp.	§	
Defendants.	§	

COMPLAINT FOR VIOLATIONS
OF THE FEDERAL SECURITIES LAWS

Plaintiff Laborers' Local 235 Benefit Funds ("Plaintiff") alleges upon personal knowledge as to allegations specifically pertaining to Plaintiff and, as to all other matters, upon the investigation of counsel, which included, without limitation: (a) review and analysis of public filings made by Adeptus Health Inc. ("Adeptus Health" or the "Company") with the United States Securities and Exchange Commission ("SEC"); (b) review and analysis of press releases and other publications disseminated by certain of the Defendants; (c) review of news articles, shareholder communications, conference calls and postings on the Company's website concerning Adeptus Health's public statements; and (d) review of other publicly available information concerning the Company, the Individual Defendants, the Officer and Director Defendants and the Underwriter Defendants (as defined below). Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

I. NATURE OF THE ACTION

1. This is a federal securities class action against Adeptus Health and certain of its officers and/or directors, and the underwriters of the Company's offerings for violations of the federal securities laws. Plaintiff brings this action on behalf of all persons or entities that purchased or otherwise acquired Adeptus Health Class A common shares (hereinafter the "common shares" or "common stock") between June 25, 2014 and November 1, 2016, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act"). The Exchange Act claims allege that certain defendants engaged in a fraudulent scheme to artificially inflate the Company's stock price.

2. The action is also brought on behalf of all persons or entities who purchased shares of Adeptus Health's common stock pursuant and/or traceable to one of the Company's

Offerings (as defined below), seeking to pursue remedies under the Securities Act of 1933 (the "Securities Act").

3. On June 25, 2014, Adeptus Health announced the pricing of its initial public offering (the "IPO") of 4,900,000 shares of its Class A common stock at a public offering price of $22.00 per share, with the underwriters having an option to purchase up to 735,000 additional shares of Class A common stock. The first secondary public offering ("SPO") commenced on or about May 5, 2015 for the sale of 2,100,000 common shares at a public offering price of $63.75 per share, with the underwriters having the option to purchase up to an additional 315,000 common shares (the "May 2015 SPO"). The second SPO commenced on or about July 29, 2015 at a public offering price of $105.00 per share for the sale of 3,400,000 shares of common stock, with the underwriters having the option to purchase up to an additional 510,000 shares (the "July 2015 SPO"). The third SPO began on or about June 2, 2016 for the sale of 2,450,000 shares of the Company's common stock at a price to the public of $62.00 per share, with the underwriters having the option to purchase up to an additional 367,500 shares (the "June 2016 SPO").[1]

4. Under the Securities Act, defendants are strictly liable for the material misstatements in the offering documents for the IPO, May 2015 SPO, July 2015 SPO, and June 2016 SPO (collectively, the "Offering Documents"), and these claims specifically exclude any allegations of knowledge or scienter. The Securities Act claims also expressly exclude and disclaim any allegation that could be construed as alleging fraud or intentional or reckless misconduct.

5. This Complaint alleges that in Adeptus Health's Offering Documents and throughout the Class Period, Defendants failed to disclose material adverse facts about the

[1] The IPO, May 2015 SPO, July 2015 SPO and the June 2016 SPO are collectively referred to as the "Offerings."

Company's business, operations and future prospects. As a result of Defendants' wrongful acts, false and misleading statements and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

6. Adeptus Health is one of the largest operators of independent freestanding emergency rooms in the United States and has a large network of partnerships with certain healthcare systems. The Company defines itself as a "patient-centered healthcare organization providing emergency medical care." In regular terms, freestanding emergency rooms are named so because they are not attached to hospitals. Freestanding emergency rooms provide the same level of access and services as hospital-based emergency rooms, but they differ in critical ways. Operationally, freestanding emergency rooms staff more doctors, are open twenty-four hours, and typically include more equipment such as a CT scanner. Regarding cost of treatment, freestanding emergency rooms are typically far more expensive for patients, as they charge what is known as a "facility fee" that can range well over $1,000 per visit. Further, freestanding emergency rooms are often out-of-network for private insurance plans (freestanding emergency rooms do not accept Medicare or Medicaid) and otherwise charge higher co-pays when in-network.

7. Adeptus Health has grown rapidly, from 14 facilities at the end of 2012 to 93 freestanding facilities and two fully licensed general hospitals as of June 30, 2016, including facilities located in Houston, Dallas/Fort Worth, San Antonio and Austin, Texas; Colorado Springs and Denver, Colorado; and Phoenix, Arizona.

8. Since 2011, Sterling Partners has held a 75% interest in First Choice LLC, a company that runs freestanding emergency rooms. In 2013, Adeptus Health LLC was created to own and operate First Choice emergency rooms, with a larger goal of effectuating an IPO.

9. In June 2014, Adeptus Health completed its IPO of 5.3 million common shares and received net proceeds of approximately $96.2 million. Sterling Partners was described as a "sponsor" and sold 313,586 common shares therein. On May 11, 2015, Adeptus Health completed its May 2015 SPO of 1.6 million common shares for $94.5 million. Sterling Partners sold 842,704 shares, or approximately 20% of its holdings. On July 31, 2015, Adeptus Health completed another SPO, the July 2015 SPO, and sold 2,645,277 shares of common stock at $105.00 per share and received net proceeds of approximately $265.9 million, after deducting underwriting discounts and commissions and offering expenses. Sterling Partners sold 1.265 million common shares in the July 2015 SPO for net proceeds of approximately $127.2 million.

10. On November 17, 2015, KUSA, an NBC-affiliated television station located in Denver, Colorado, aired an investigative report related to billing practices occurring at the Company's First Choice ER locations in Colorado. The KUSA report, which was represented to have been based on "months" of investigation, found that the Company's First Choice ERs engaged in a pattern and practice of predatory overbilling.

11. In response to the airing of the KUSA investigative report, the price of Adeptus Health common stock plummeted more than 22% on very heavy trading volume falling from $59.87 per share on November 16, 2015 to $46.50 per share on November 17, 2015. The Company's share price remained artificially inflated, however, as the Company failed to disclose the full extent of its billing issues and the impact that these issues would have on its future performance.

12. On June 8, 2016, Adeptus Health completed its June 2016 SPO, through which it offered 1,774,219 shares of common stock at a price to the public of $62.00 per share and received net proceeds of approximately $107.4 million, after deducting underwriting discounts and commissions and offering expenses.

13. The truth emerged on November 1, 2016. On November 1, 2016, Adeptus Health was scheduled to announce its third quarter 2016 financial results pre-market on November 1, 2016 but the Company rescheduled its third quarter 2016 earnings release until after the market close. Moreover, the Company postponed its conference call to 5:00 p.m. on November 1, 2016, originally scheduled to be held at 10:00 a.m. on November 1, 2016. Also on November 1, 2016, the Company announced that Defendant Hall would be replaced by Defendant Scott as chairman of the Board of Directors. The announcement of the postponed quarterly earnings "surprised investors" and "caused shares to drop 13.7% as investors fearing bad news scrambled for the exits."[2]

14. Eventually, on November 1, 2016, after the market close, Adeptus Health released its third quarter earnings results whereby the Company announced that it missed earnings estimates and reported a net loss of $11.7 million in the third quarter of 2016 due to a range of issues.[3] Adeptus Health reduced its adjusted guidance for earnings before interest, taxes, depreciation, and amortization (EBITDA) for the full year, and admitted that it needed to secure emergency financing of $27.5 million (in preferred stock) from existing investors. Adeptus Health cited "weaker than expected volumes in non-HOPD markets, collection issues associated

[2] *See* http://www.fool.com/investing/2016/11/02/adeptus-health-fell-over-65-after-earnings-and-eme.aspx.

[3] *See* http://www.prnewswire.com/news-releases/adeptus-health-reports-third-quarter-2016-results-300355299.html.

with our third party billing agent and higher costs associated with the opening of three hospitals in the second half of the year."

15. The extent of Adeptus Health's issues shocked the market. Many analysts downgraded the stock. Specifically, the Company's stock was dropped to Underweight from Equal Weight at Barclays. Jefferies analyst Brian Tanquilut cut his rating to hold from buy, and slashed his stock price target for the Company's stock to $13 from $77.

16. As a result of these disclosures, on November 1, 2016, Adeptus stock price dropped $3.25 per share or 10.8% from $30.12 per share on October 31, 2016 to $26.87 per share, on unusually heavy trading volume. The next day, on November 2, 2016, Adeptus stock price declined an additional $18.27 per share or 68.0% from $26.87 per share to $8.60 per share on over 34 times the average daily trading volume over the last year. This represented a massive two-day decline of $21.52 per share or 71.5%.

17. As detailed below, throughout the Class Period, Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about Adeptus Health's business, operations and financial condition. Specifically, Defendants made false and/or misleading statements and/or failed to disclose to investors that: (i) Adeptus Health was engaged in the widespread overbilling of patients, including low-acuity patients; (ii) Adeptus Health's billing practices were causing decreases in patient volume and would subject it to decreased revenues; (iii) the Company's billing practices exposed it to major financial, reputational, legal and regulatory risks; (iv) the Company's financial statements were not compliant with Generally Accepted Accounting Principles ("GAAP"); and (v) as a result, the Company's statements were false and misleading at all relevant times.

18. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and the other Class members have suffered significant losses and damages.

II. JURISDICTION AND VENUE

19. The claims asserted arise under §§11, 12(a)(2), and 15 of the Securities Act, 15 U.S.C. §§77k, 77l(a)(2), and 77o, and §§ 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§78(j)(b), 78(t)(a) and Rule 10b-5 promulgated thereunder, 17 C.F.R. §240.10b-5.

20. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331, Section 22 of the Securities Act, 15 U.S.C. § 77v, and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

21. Venue is proper in this District pursuant to Section 22 of the Securities Act and Section 27 of the Exchange Act, and 28 U.S.C. § 1391(b). Many of the acts and transactions alleged herein, including the preparation and dissemination of materially false and misleading information, occurred in substantial part in this District. Additionally, Adeptus Health's principal office is located within this District.

22. In connection with the acts alleged in this Complaint, Defendants directly or indirectly used the means and instrumentalities of interstate commerce, including without limitation the mails, interstate telephone communications, and the facilities of the national securities exchanges.

III. THE SECURITIES ACT CLAIMS

A. Plaintiff

23. Plaintiff, as set forth in the accompanying certification and incorporated by reference herein, purchased the Company's publicly traded securities during the Class Period

and/or traceable to the Company's Offering Documents at artificially inflated prices during the Class Period and has been damaged thereby.

B. Securities Act Defendants

1. The Company

24. Defendant Adeptus Inc. is, and at all times herein mentioned was, a corporation organized and existing under the laws of Delaware with principal executive offices at 2941 South Lake Vista Drive, Lewisville, TX 75067. Defendant Adeptus Health is traded on the New York Stock Exchange under the symbol ADPT.

2. Sterling Partners

25. Defendant Sterling Partners ("Sterling Partners") is a private equity firm based in Chicago, Illinois. According to the Company's filings with the SEC, Sterling Partners is the "Sponsor" of Adeptus Health, and Defendant Rosenberg, a Company Director, has been a Managing Director of Sterling Partners since 2006.

3. The Officer and Director Defendants

26. Defendant Thomas S. Hall ("Hall") was, at all relevant times, Chief Executive Officer ("CEO") served, at all relevant times, as Chairman of Board, President, CEO and a Director of Adeptus Health. On September 7, 2016, the Company issued a press release announcing Hall's "intention to retire" as CEO of Adeptus Health.

27. Defendant Timothy L. Fielding ("Fielding") served as Treasurer, Chief Financial Officer ("CFO") and Principal Financial and Accounting Officer of Adeptus Health until his resignation on July 28, 2016, which the Company announced would become effective on September 30, 2016.

28. Defendant Richard Covert ("Covert") is on the Adeptus Health Board of Directors and served as a member of Adeptus Health's Board of Directors at the time of the Offerings.

29. Defendant Daniel W. Rosenberg ("Rosenberg") is on the Adeptus Health Board of Directors and served as a member of Adeptus Health's Board of Directors at the time of the Offerings.

30. Defendant Gregory W. Scott ("Scott") is on the Adeptus Health Board of Directors and served as a member of Adeptus Health's Board of Directors at the time of the Offerings.

31. Defendant Ronald L. Taylor ("Taylor") is on the Adeptus Health Board of Directors and served as a member of Adeptus Health's Board of Directors at the time of the Offerings.

32. Defendant Jeffery S. Vender ("Vender") is on the Adeptus Health Board of Directors and served as a member of Adeptus Health's Board of Directors at the time of the Offerings.

33. Defendant Steven V. Napolitano ("Napolitano") is on the Adeptus Health Board of Directors and served as a member of Adeptus Health's Board of Directors at the time of the Offerings.

34. Defendant Daniel J. Hosler ("Hosler") was elected to the board of directors effective June 24, 2014, and served until May 19, 2015. Defendant Hosler served as a member of the Board at the time of the IPO and May 2015 SPO. Defendant Hosler was a vice president of Sterling Partners from 2006 to 2011.

35. Defendant Stephen M. Mengert ("Mengert") was appointed to Adeptus Health's Board of Directors in June 2015, and served as a member of Adeptus Health's Board of Directors at the time of the July 2015 SPO and June 2016 SPO.

36. Defendants Hall, Fielding, Covert, Rosenberg, Scott, Taylor, Vender, Napolitano, Hosler, and Mengert are collectively referred to herein as the "Officer and Director Defendants."

4. The Underwriter Defendants

37. Defendant Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") served as an underwriter to Adeptus Health and joint book-running manager in connection with the May 2015 SPO and the July 2015 SPO.

38. Defendant Goldman, Sachs & Co. ("Goldman Sachs") served as an underwriter to Adeptus Health in connection with the all Offerings. Defendant Goldman Sachs acted as joint book-running manager for the May 2015 SPO, the July 2015 SPO, and the IPO. Defendant Goldman Sachs also acted at the sole book-running manager and underwriter of the June 2016 SPO.

39. Defendant Deutsche Bank Securities Inc. ("Deutsche Bank") served as an underwriter to Adeptus Health in connection with its IPO and acted as joint book-running manager for the IPO.

40. Defendant Evercore Group L.L.C. ("Evercore") served as an underwriter to Adeptus Health in connection with the IPO. Defendant Evercore acted as joint book-running manager for the IPO. Defendant Evercore served as an underwriter to Adeptus Health and co-manager in connection with the May 2015 SPO and July 2015 SPO.

41. Defendant Morgan Stanley & Co. LLC ("Morgan Stanley") served as an underwriter to Adeptus Health in connection with its IPO. Defendant Morgan Stanley acted as joint book-running manager for the IPO.

42. Defendant Piper Jaffray & Co. ("Piper Jaffray") served as an underwriter to Adeptus Health in connection with its IPO, May 2015 SPO, and July 2015 SPO. Defendant Piper Jaffray acted as a co-manager of Adeptus Health's IPO, its May 2015 SPO, and its July 2015 SPO.

43. Defendant RBC Capital Markets LLC ("RBC") served as an underwriter to Adeptus Health in connection with its IPO and May 2015 SPO. Defendant RBC acted as a co-manager of Adeptus Health's IPO and its May 2015 SPO.

44. Defendant Dougherty & Company LLC ("Dougherty") served as an underwriter to Adeptus Health in connection with its IPO, May 2015 SPO, and July 2015 SPO. Defendant Dougherty acted as a co-manager of Adeptus Health's IPO, its May 2015 SPO, and its July 2015 SPO.

45. Defendant BMO Capital Markets Corp. ("BMO") served as an underwriter to Adeptus Health in connection with its May 2015 SPO and July 2015 SPO. BMO served as a joint book-running manager in the May 2015 SPO. BMO served as lead manager in the July 2015 SPO.

46. Adeptus Health, the Underwriter Defendants, the Officer and Director Defendants, and Sterling are collectively referred to herein as the "Securities Act Defendants."

IV. CLAIMS AGAINST THE SECURITIES ACT DEFENDANTS

A. Background

47. Adeptus Health is one of the largest operators of freestanding emergency rooms in the country. Adeptus Health operates, among others, the First Choice ER brand of freestanding emergency rooms. First Choice ER, LLC ("First Choice") was founded in Texas by Dr. Jacob J. Novak in 2002. In 2003, Richard Covert joined the company and eventually became its Chief Executive Officer.

48. Because of standards governing the practice of medicine and patient care, freestanding emergency rooms were traditionally not permitted. Adeptus Health, directly and through industry groups and political action committees, conducted extensive lobbying efforts in various states. These efforts were successful in Adeptus Health's main market, as Texas became the first state to pass legislation allowing freestanding emergency rooms in 2010. Adeptus then began a massive growth campaign, from having only 14 freestanding facilities at the end of 2012, to 81 as of December 31, 2015.

49. In 2011, funds affiliated with Sterling Partners acquired a 75% share in First Choice ER, LLC. In 2013, Adeptus Health LLC was created as a holding company to own and operate First Choice Emergency Rooms. Adeptus Health Inc. was incorporated as a Delaware corporation on March 7, 2014 as the parent company of First Choice.

50. Adeptus Health's growth is measured in large part by increases in patient service revenue. Adeptus Health receives payment for its services from its patients and insurance companies, which it refers to as commercial "third-party payors." Blue Cross Blue Shield, United Healthcare, Aetna, and Cigna accounted for approximately 84.6% of patient service revenue for the year ended December 31, 2015, with the remaining revenues paid by smaller

insurers and patients. Included in revenues are the facility fee, a professional services fee, and "other related fees."

51. Adeptus Health's billing amounts are related to patient acuity, which in turn makes acuity levels highly material to patient service revenue. The Emergency Severity Index ("ESI") is a "five-level tool for use in emergency department triage," and is used to rate patient acuity, from level 1 (most urgent) to level 5 (least resource intensive).[4] Emergency personnel utilize an algorithmic application of ESI for triage as well as a handbook, which fully explains assessment of each level and the corresponding resource need. The levels are categorized as follows: 1- resuscitation, 2- emergent, 3- urgent, 4- less urgent, 5- nonurgent). For example, respitory arrest and major head trauma are among the ESI level 1 conditions; hemophilia and hypothemic infants are among the ESI level 2 conditions; swelling and abdominal pain are among the ESI level 3 conditions; a sprained ankle and a simple laceration are among the ESI level 4 conditions; and medication refills and ear pain are among the ESI level 5 conditions.[5]

52. The volume of patients is also highly important to Adeptus Health's Patient service revenue. Adeptus Health notes in its filings that "increasing patient volumes and reimbursement rates and acuity mix" are "key revenue drivers," and that systemwide same-store revenue and systemwide net patient services revenue are "key performance measures."

53. Adeptus Health has reported extremely strong growth in patient service revenue, as follows:

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[4] *See* http://www.esitriage.org/#.

[5]*See* http://www.ahrq.gov/sites/default/files/wysiwyg/professionals/systems/hospital/esi/esihandbk.pdf.

	Year ended December 31,				
	2015	**2014**	**2013**	**2012**	**2011**
	(audited)	(audited)	(audited)	(audited)	(unaudited)
Revenue:					
Patient service revenue	$ 420,612	$ 243,298	$ 114,960	$ 80,977	$ 55,203
Provision for bad debt	(70,119)	(32,624)	(12,077)	(8,376)	(6,983)
Net patient service revenue	350,493	210,674	102,883	72,601	48,220

54. But tellingly, Adeptus Health's rapidly increasing same-store revenues have occurred in spite of declining same-store patient volumes. This is underscored by the fact that Adeptus Health has been aggressively expanding for several years.

B. Adeptus Health's IPO

55. On June 30, 2014, Adeptus Health completed its IPO of 5.3 million common shares and received net proceeds of approximately $96.2 million. Adeptus Health's IPO was ultimately effectuated through a registration statement (filed June 25, 2014) and a prospectus (also filed June 25, 2014) that were based on and incorporated Adeptus Health's Registration Statement on Form S-1 (originally issued March 14, 2014, and amended April 22, 2014, May 9, 2014, and June 12, 2014). The June 25, 2014 prospectus and June 25, 2014 registration statement, along with all registration statement materials incorporated therein are collectively referred to as the "IPO Offering Documents."

56. The IPO Offering Documents contained materially inaccurate statements of fact about Adeptus Health's billing practices, cost-effectiveness and patient satisfaction. The IPO Offering Documents contained, in pertinent part, the following:

What We Do and Why We are Different

We focus exclusively on providing emergency care through our freestanding emergency rooms with the goal of improving the quality of care and enhancing the overall experience for patients and physicians. We have developed an innovative facility design and infrastructure specifically tailored to the emergency care delivery system that combines staff, equipment and physical layout to deliver high-quality, cost-effective care. This approach limits the need to move patients and provides ease of access to all necessary medical services we provide, allowing us to enhance the overall experience of the patient. Our facility design also allows physicians and nursing staff to provide all levels of care required for our patients during their visit. Our philosophy is to center care around the patient, rather than expect the patient to adapt to our facilities and staff. We believe our focused approach increases patient, physician and staff satisfaction. Innovative characteristics of our emergency facilities include:

• ***24 / 7 Emergency Care.*** Freestanding emergency room facilities, which typically range from approximately 6,000 to 7,000 square feet and are located in a convenient, local community setting and open 24 hours a day, seven days a week with on-site emergency staff, including a physician, at all times;
• ***Board-Certified Physicians.*** Staffed with experienced healthcare professionals capable of handling all emergency issues. As of March 31, 2014, we contracted with approximately 260 Board-certified physicians with an average of 16 years of medical experience who have treated more than 400,000 patients at our facilities;
• ***Streamlined.*** Streamlined check-in process designed to have patients seen by a physician within minutes;
• ***Focused Capability.*** Typically six to nine emergency exam rooms, which include two high-acuity suites, one child-friendly pediatric room and a specialized obstetrics/gynecology room;
• ***Coordinated Care.*** Centralized nurses' station that serves as a command center to coordinate care;
• ***Full Radiology Suite.*** In-house diagnostic imaging technology, including CT scanners, digital x-rays and ultrasounds, with final reads from on-call radiologists; and
• ***On-Site Laboratory.*** On-site laboratories, which provide results within approximately 20 minutes, and are certified by the Clinical Laboratory Improvements Amendments, or CLIA, and accredited by the Commission on Office Laboratories Accreditation, or COLA.

We operate at the higher end of the acuity and emergency care spectrum. Our capabilities and offerings differ from other care models as outlined below:

Market Opportunity

Freestanding emergency rooms remain the least penetrated alternate site provider segment in the U.S. healthcare sector. We believe this represents a significant opportunity to deliver quality care in the freestanding emergency room setting and transform this underpenetrated market. We have developed a highly scalable business model for establishing new freestanding emergency rooms that include attractive unit economics, sophisticated data analytics to support our site-selection process, proven real estate development practices and innovative marketing programs. Using this model, we have grown to become more than twice the size of our next largest independent freestanding emergency room competitor and are expanding rapidly. We seek to transform the emergency care delivery model by offering high-quality, efficient and consumer-oriented healthcare in our local communities.

We also believe that we offer a dramatically improved patient experience relative to traditional hospital emergency departments by significantly reducing wait times and providing rapid access to Board-certified physicians on-site. We also provide convenient access to critical, high-acuity care as compared with urgent care centers and are open 24 hours a day, seven days a week. Based on patient feedback collected by Press Ganey Associates, Inc., or Press Ganey, an independent healthcare advisory services and consulting organization that specializes in the improvement of the patient experience, First Choice Emergency Room received the prestigious Guardian of Excellence Award in 2013 for exceeding the 95th percentile in patient satisfaction nationwide.

Our Value Proposition

Based on our management team's experience and industry knowledge, we believe our compelling value proposition and the nature of our service offerings benefit patients, communities, physicians, payors and hospitals, thereby improving the quality of care and lowering overall healthcare costs.

Value Proposition for Patients

We offer patients an attractive value proposition:

• ***Access to Care.*** Our facilities are located in a convenient, local community setting and are open 24 hours a day, seven days a week with on-site emergency staff, including a Board-certified physician at all times.
• ***Immediate Care.*** A streamlined check-in process designed to have patients seen by a physician within minutes.
• ***Physician Focus.*** Our physicians are focused on the patient, spending more time on patient care than on administrative tasks, providing high-quality service, prompt diagnoses and the appropriate medical treatment.
• ***Technology.*** Facilities equipped with full radiology suites, including CT scanners, digital x-rays and ultrasounds, as well as on-site laboratories certified by CLIA and accredited by COLA that provide test results within approximately 20 minutes.
• ***Superior Experience.*** An overall enhanced patient experience.

Value Proposition for Communities

We offer communities an attractive value proposition:

• ***Access to Care.*** Facilities located in convenient, local community settings. Approximately 60% of each facility's patients come from a three-mile radius, with approximately 80% coming from a five-mile radius.
• ***24 / 7.*** Access to Board-certified physicians at all times, including outside normal business hours.
• ***Partnership.*** Key partner for health systems seeking to enhance their local community presence through direct admissions relationships and new innovative partnerships.
• ***Care Continuum.*** Connectivity across the patient-care continuum from patient referrals to post-emergency care.

Value Proposition for Payors

We believe that our emergency room facilities reduce overall costs for payors by reducing unnecessary tests and patient admittances. According to the National Hospital Ambulatory Medical Care Survey, the national average emergency room inpatient admittance rate was approximately 13.3% in 2010, while our average inpatient admittance rate was approximately 3.4% for the year ended December 31, 2013. We believe our facilities provide comprehensive emergency care with an acuity mix that is comparable to hospital-based emergency rooms.

Value Proposition for Hospitals

We have an attractive business model that provides communities direct access to emergency care, helping to relieve the overburdened hospital emergency room system. Our facilities provide high-quality emergency care for a wide variety of conditions, including heart attacks, severe abdominal pain and respiratory distress similar to the care provided in traditional hospital emergency rooms. When hospital-based services such as surgery or cardiac catheterization are needed, patients are stabilized at our facilities before being transferred to nearby hospitals via ambulance. Transfer agreements are in place with local hospitals that often facilitate direct admission.

C. Adeptus Health's May 2015 SPO

57. On May 4, 2015, Adeptus Health filed with the SEC an amended Form S-1 registration statement for the May 2015 SPO, which offered 1,349,671 shares of common stock. The offering price to the public was $63.75 per share, and the Underwriters agreed to purchase the shares from the Company and the Selling Stockholder at a price of $60.084376 per share.

The Company granted the Underwriters an option to purchase up to 315,000 additional shares, 222,625 from the Company and 92,375 from Sterling Partners. On May 7, 2015, the Underwriters exercised the option in full. Adeptus Health filed an offering prospectus on May 7, 2015.

58. The May 4, 2015 Form S-1 and May 7, 2015 prospectus and all documents incorporated therein (the "May 2015 SPO Documents") contained materially inaccurate statements of fact about Adeptus Health's billing practices, cost-effectiveness and patient satisfaction. The May 2015 SPO Documents stated, in pertinent part, the following:

> ***Market Opportunity***
>
> Freestanding emergency rooms remain the least penetrated alternate site provider segment in the U.S. healthcare sector. As of 2012, there were approximately 400 freestanding emergency rooms in the United States as compared to approximately 1,400 retail clinics, 6,000 ambulatory surgery centers and 9,300 urgent care centers. We believe this represents a significant opportunity to deliver quality care in the freestanding emergency room setting and transform this underpenetrated market. We have developed a highly scalable business model for establishing new freestanding emergency rooms that include attractive unit economics, sophisticated data analytics to support our site-selection process, proven real estate development practices and innovative marketing programs. Using this model, we have grown to become more than three times the size of our next largest independent freestanding emergency room competitor and are expanding rapidly. We seek to transform the emergency care delivery model by offering high-quality, efficient and consumer-oriented healthcare in our local communities.
>
> In their 2014 National Report Card on America's emergency care environment, ACEP assigned an overall grade of "D–" for the category of access to emergency care, reflecting too few emergency departments to meet the needs of a growing, aging population and the projected increase in the number of insured individuals as a result of PPACA. We believe freestanding emergency rooms are an essential part of the solution.
>
> We also believe that we offer a dramatically improved patient experience relative to traditional hospital emergency departments by significantly reducing wait times and providing rapid access to Board-certified physicians on-site. We also provide convenient access to critical, high-acuity care as compared with urgent care centers and are open 24 hours a day, seven days a week. Based on

patient feedback collected by Press Ganey, First Choice Emergency Room received the prestigious Guardian of Excellence Award in 2013 and 2014 for exceeding the 95th percentile in patient satisfaction nationwide.

Our Value Proposition

Value Proposition for Patients

As healthcare has evolved, the consumer has taken greater control of healthcare expenditures and demands more convenient access to healthcare, better value and an improved overall patient experience. Our philosophy is to center care around the patient, rather than expect the patient to adapt to our facilities and staff. We offer patients an attractive value proposition:

• ***Access to Care.*** Our facilities are located in a convenient, local community setting and are open 24 hours a day, seven days a week with on-site emergency staff, including a Board-certified physician at all times.
• ***Immediate Care.*** A streamlined check-in process designed to have patients seen by a physician within minutes.
• ***Physician Focus.*** Our physicians are focused on the patient, spending more time on patient care than on administrative tasks, providing high-quality service, prompt diagnoses and the appropriate medical treatment.
• ***Technology.*** Facilities equipped with full radiology suites, including CT scanners, digital x-rays and ultrasounds, as well as on-site laboratories certified by CLIA and accredited by COLA that provide test results within approximately 20 minutes.

Superior Experience. An overall enhanced patient experience.

As a result, based on patient feedback collected by Press Ganey, First Choice Emergency Room received the prestigious Guardian of Excellence Award in 2013 and 2014 for exceeding the 95th percentile in patient satisfaction nationwide.

Value Proposition for Communities

Community providers, including physician's offices and hospital emergency rooms, serve a critical and valuable purpose in delivering healthcare. However, the shortage of emergency rooms makes it increasingly challenging to meet the rising demand for emergency care. This has led to an overburdened emergency room network that is often poorly aligned with care consumption trends.

We seek to transform the emergency delivery model and fill a public need by offering high quality, efficient and consumer oriented healthcare in our local communities. We offer communities an attractive value proposition:

• ***Access to Care.*** Facilities located in convenient, local community settings. Approximately 60% of each facility's patients come from a three-mile radius, with approximately 80% coming from a five-mile radius.
• ***24/7.*** Access to Board-certified physicians at all times, including outside normal business hours.
• ***Partnership.*** Key partner for health systems seeking to enhance their local community presence through direct admissions relationships and new innovative partnerships.
• ***Care Continuum.*** Connectivity across the patient-care continuum from patient referrals to post-emergency care.

Value Proposition for Physicians

The evolving healthcare delivery environment, reflected by significant regulatory changes, increasing administrative burdens, shifting competitive provider landscape and a transition to new reimbursement models, is increasing pressure on physicians. We offer an attractive working environment:

• ***Team-Based Care.*** Team-based environment, supported by dedicated staff.
• ***Patient Centric.*** Our model allows physicians to spend more time with each patient, which enables them to focus their attention on the patient in order to deliver high-quality care.
• ***Dedicated Support.*** Rapid delivery of lab and diagnostic results through on-site capabilities.
• ***Physician Friendly.*** Scheduling flexibility and a well-defined compensation program. Payment of malpractice insurance coverage premiums for physicians practicing at our facilities.

Value Proposition for Payors

We believe that our emergency room facilities reduce overall costs for payors by reducing unnecessary tests and patient admittances. According to the National Hospital Ambulatory Medical Care Survey, the national average emergency room inpatient admittance rate was approximately 11.9% in 2011, while our average inpatient admittance rate was approximately 3.8% for the year ended December 31, 2014. We believe our facilities provide comprehensive emergency care with an acuity mix that is comparable to hospital-based emergency rooms.

D. Adeptus Health's July 2015 SPO

59. On July 20, 2015, Adeptus Health filed with the SEC a Form S-3 shelf registration statement pursuant to which the Company and its selling stockholders may, from time to time, offer and/or sell Adeptus Health common shares in the July 2015 SPO.

60. On July 31, 2015, Adeptus Health filed with the SEC a prospectus for the July 2015 SPO that offered to register for sale 3,910,000 common shares (including 510,000 common shares pursuant to an overallotment option issued to the Underwriter Defendants) owned by the Company and Sterling Partners at a price of $105.00 per share.

61. The Form S-3 and the Prospectus (collectively, the "July 2015 SPO Documents"). The July 2015 SPO Documents included materially inaccurate statements about Adeptus Health's billing practices, cost-effectiveness and patient satisfaction. The July 2015 SPO Documents stated, in pertinent part, the following:

> **What We Do and Why We Are Different**
>
> We focus on providing emergency care through our freestanding emergency rooms with the goal of improving the quality of care and enhancing the overall experience for patients and physicians. We have developed an innovative facility design and infrastructure specifically tailored to the emergency care delivery system that combines staff, equipment and physical layout to deliver high-quality, cost-effective and coordinated patient-focused care. This approach limits the need to move patients and provides ease of access to all necessary medical services we provide, allowing us to enhance the overall experience of the patient.
>
> * * *
>
> We also provide convenient access to critical, high-acuity care as compared with urgent care centers and are open 24 hours a day, seven days a week. Based on patient feedback collected by Press Ganey, First Choice Emergency Room received the prestigious Guardian of Excellence Award in 2013 and 2014 for exceeding the 95th percentile in patient satisfaction nationwide.
>
> * * *
>
> ***Value Proposition for Patients***
>
> As healthcare has evolved, the consumer has taken greater control of healthcare expenditures and demands more convenient access to healthcare, better value and an improved overall patient experience. Our philosophy is to center care around the patient, rather than expect the patient to adapt to our facilities and staff. We offer patients an attractive value proposition
>
> * * *

Value Proposition for Payors

> We believe that our emergency room facilities reduce overall costs for payors by reducing unnecessary tests and patient admittances. According to the National Hospital Ambulatory Medical Care Survey, the national average emergency room inpatient admittance rate was approximately 11.9% in 2011, while our average inpatient admittance rate was approximately 3.8% for the year ended December 31, 2014. We believe our facilities provide comprehensive emergency care with an acuity mix that is comparable to hospital-based emergency rooms.

E. Adeptus Health's June 2016 SPO

62. On June 1, 2016 Adeptus Health, announced the pricing of the June 2016 SPO, which offered of 2,450,000 shares of its common stock, of which 1,543,162 shares were to be sold by the Company, and 906,838 shares are to be sold Sterling Partners at a price to the public of $62.00 per share.

63. The offering documents for the June 2016 SPO included two prospectuses, the first filed June 1, 2016 and the second filed June 3, 2016 (the "June 2016 SPO Documents"). contained materially inaccurate facts about Adeptus Health's billing practices, cost-effectiveness and patient satisfaction. The June 2016 SPO Documents contained, in pertinent part, the following:

> We are a patient-centered healthcare organization providing emergency medical care through the largest network of freestanding emergency rooms in the United States and partnerships with leading healthcare systems. In Texas, we own and operate First Choice Emergency Rooms and, in partnership with Texas Health Resources, operate First Texas Hospital in Dallas-Fort Worth. In Colorado, in partnership with University of Colorado Health, we operate UCHealth Emergency Rooms. Together with Dignity Health, we also operate Dignity Health Arizona General Hospital and freestanding emergency departments in Arizona. Adeptus Health is the largest and oldest network of freestanding emergency rooms in the United States. We have experienced rapid growth in recent periods, growing from 14 freestanding facilities at the end of 2012 to 88 freestanding facilities and two fully licensed general hospitals at March 31, 2016. We own and/or operate facilities currently located in the Houston, Dallas/Fort Worth, San Antonio and Austin, Texas markets, as well as in the Colorado Springs and Denver, Colorado and Phoenix, Arizona markets. In the Arizona and Dallas/Fort Worth markets,

> each of the freestanding facilities are outpatient departments of our hospitals in those markets.
>
> Since our founding in 2002, our mission has been to address the need within our local communities for immediate and convenient access to quality emergency care in a patient-friendly, cost-effective setting. We believe we are transforming the emergency care experience with a differentiated and convenient care delivery model which improves access, reduces wait times and provides high-quality clinical and diagnostic services on-site. Our facilities are fully licensed and provide comprehensive, emergency care with an acuity mix that we believe is comparable to hospital-based emergency rooms.

64. The June 2016 SPO Documents incorporated the Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed on February 27, 2015; and the Quarterly Report on Form 10-Q for the three months ended March 31, 2015, filed on May 1, 2015.

F. The Offering Documents Contained Materially Inaccurate Statements and Omitted Material Information Required to Be Disclosed

65. The Offering Documents were materially inaccurate because they failed to state that the Company was facing material issues with respect to the Company's billing improprieties, that patient volumes were rapidly declining as a result, and that such practices were the driver of the Company's massive revenue growth in the face of such declining patient volumes. Thus, the Offering Documents were negligently prepared and, as a result, contained inaccurate material facts or omitted to state other facts necessary to make the statements not inaccurate, and were not prepared in accordance with the rules and regulations governing its preparation.

66. Item 303(a) of Regulation S-K, requires issuers to disclose "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on the registrant's liquidity, revenues or income from continuing operations." 17 C.F.R. §229.303. The SEC's interpretive guidance explains that:

> Identifying the intermediate effects of trends, events, demands, commitments and uncertainties alone, *without describing the reasons underlying these effects*, may not provide sufficient insight for a reader to see the business through the eyes of

> management. A thorough analysis often will involve discussing both the intermediate effects of those matters and the reasons underlying those intermediate effects. For example, if a company's financial statements reflect materially lower revenues resulting from a decline in the volume of products sold when compared to a prior period, MD&A should not only identify the decline in sales volume, but also should analyze the reasons underlying the decline in sales when the reasons are also material and determinable. The analysis should reveal underlying material causes of the matters described, including for example, if applicable, difficulties in the manufacturing process, a decline in the quality of a product, loss in competitive position and market share, or a combination of conditions.

67. Further, the Offering Documents referenced and specifically incorporated documents including Adeptus Health's Form 2014 Form 10-K and Q1 2015 10-Q, its Form 8-K announcing earnings filed on April 23, 2015. The 2014 Form 10-K and Q1 2015 Form 10-Q were represented as being compliant with GAAP. This representation was materially inaccurate because, as explained below, the 2014 10-K and Q1 2015 10-Q were not compliant with the relevant provisions of GAAP.

68. Specifically, Topic No. 275, Risks and Uncertainties, requires adequate accounting and disclosure of risks and uncertainties that could significantly affect the amounts reported in the financial statements in the near term or the near-term functioning of the reporting entity, based on the nature of the entity's operations the use of estimates in the preparation of the entity's financial statements; or significant concentrations in certain aspects of the entity's operations; and Topic No. 450, Contingencies, requires adequate accounting and disclosure of loss and gain contingencies, such as impairments and incurred liabilities, as well as proper revenue recognition. Adeptus Health's risk disclosures contained material inaccuracies concerning risks and loss contingencies, including its improper billing practices and revenue declines associated therewith. Pursuant to of SEC Regulation S-X, Rule 4-01(a), statements not compliant with GAAP "will be presumed to be misleading or inaccurate." 17 C.F.R. §210.4-01(a)(1).

69. The Securities Act Defendants are strictly liable for the inaccurate material statements and for the damages that Plaintiff and other members of the Class have sustained thereby. The Securities Act Defendants are responsible for the contents and dissemination of the Offering Documents, and did not conduct a reasonable investigation or possess reasonable grounds for the belief that the statements contained in the Offering Documents were true and without omissions of any material facts and were not misleading.

70. The Securities Act Defendants issued, caused to be issued and participated in the issuance of materially false and misleading written statements to the investing public that were contained in the Offering Documents, which misrepresented or failed to disclose, among other things, the facts set forth above.

V. COUNTS AGAINST THE SECURITIES ACT DEFENDANTS

COUNT I
For Violations of §11 of the Securities Act
Against Adeptus Health, Officer and Director Defendants, and the Underwriter Defendants

71. Plaintiff incorporates the allegations contained above pertaining to the false Offering Documents except that Plaintiff expressly excludes and disclaims any allegation that could be construed as alleging fraud or intentional or reckless misconduct, as these counts are based solely on claims of strict liability and/or negligence under the Securities Act.

72. This Count is brought against Adeptus Health, the Officer and Director Defendants, and the Underwriter Defendants on behalf of all persons or entities who purchased Adeptus Health stock issued pursuant or traceable to the Offering Documents. The Offering Documents were inaccurate and omitted to state other facts necessary to make the statements made not inaccurate, as described above.

73. Adeptus Health, the Officer and Director Defendants, and the Underwriter Defendants are strictly liable for the inaccurate material statements and for the damages that Plaintiff and other members of the Class have sustained thereby. Adeptus Health, the Officer and Director Defendants, and the Underwriter Defendants are responsible for the contents and dissemination of the Offering Documents, and did not conduct a reasonable investigation or possess reasonable grounds for the belief that the statements contained in the Offering Documents were true and without omissions of any material facts and were not misleading.

74. The Defendants named herein issued, caused to be issued and participated in the issuance of inaccurate material statements to the investing public that were contained in the Offering Documents, which misrepresented or failed to disclose, among other things, the facts set forth above. By reasons of the conduct herein alleged, each Defendant violated, and/or controlled a person who violated, Section 11 of the Securities Act.

COUNT II
For Violations of Section 12(a)(2) of the Securities Act
Against All Defendants

75. Plaintiff incorporates by reference each and every preceding paragraph as though fully set forth herein.

76. This Count is brought pursuant to Section 12(a)(2) of the Securities Act, 15 U.S.C. §77l, on behalf of the Class against all Defendants.

77. Defendants were sellers and offerors and/or solicitors of purchasers of the common stock offered pursuant to the Offering Documents. Defendants issued, caused to be issued and/or signed multiple registration statements and prospectuses in connection with the Offerings during the Class Period. The Offering Documents were used to induce investors, such

as Plaintiff and the other members of the Class, to purchase the common stock registered in the Offerings during the Class Period.

78. The Offering Documents contained inaccurate statements of material fact and omitted to state other facts necessary to make the statements made not inaccurate. Defendants' actions of solicitation included participating in the preparation of the false and inaccurate Offering Documents in connection with the Offerings during the Class Period.

79. The Underwriter Defendants participated in the preparation and dissemination of the defective and inaccurate Offering Documents for their own financial benefit. But for their participation in the Offerings, including their solicitation as set forth herein, the offerings could not and would not have been accomplished. Specifically, the Underwriter Defendants:

a) made the decision to underwrite offerings and do it at the prices set forth in the Offering Documents. The Underwriter Defendants drafted, revised and/or approved the offering documents and participated in its being declared effective by the SEC. The Offering Documents were calculated to create interest in Adeptus Health common stock and were widely distributed by or on behalf of the Underwriter Defendants for that purpose; and

b) orchestrated all activities necessary to affect the sale of the common stock in the Offerings to the investing public, by issuing common stock, promoting the common stock and supervising its distribution and ultimate sale to the investing public.

80. The Offering Documents contained inaccurate statements of material fact, omitted to state other facts necessary to make the statements made therein not inaccurate. Defendants'

actions of solicitation included preparing the defective and inaccurate Registration Statement and participating in efforts to market the Offerings to investors.

81. Defendants owed to the purchasers of Adeptus Health common stock, including Plaintiff and the other Class members, the duty to make a reasonable and diligent investigation of the statements contained in the Offering Documents and to ensure that such statements were accurate. Defendants, in the exercise of reasonable care, should have known that the Offering Documents contained material inaccuracies.

82. Plaintiff and the other members of the Class purchased or otherwise acquired Adeptus Health common stock pursuant to the Offering Documents, and neither Plaintiff nor the other Class members knew, or in the exercise of reasonable diligence could have known, of the untruths, inaccuracies and omissions contained in the Offering Documents.

83. By reason of the conduct alleged herein, Defendants violated Section 12(a)(2) of the Securities Act. Accordingly, Plaintiff, individually and on behalf of the Class, hereby offers to tender to Defendants those shares of stock that Plaintiff and the other Class members continue to own, in return for the consideration paid for those shares together with interest thereon. Class members who have sold their shares are entitled to rescissory damages.

COUNT III
For Violation of §15 of the Securities Act
Against the Officer and Director Defendants and Defendant Sterling Partners

84. Plaintiff incorporates the allegations contained above pertaining to the Offering Documents except that Plaintiff expressly excludes and disclaims any allegation that could be construed as alleging fraud or intentional or reckless misconduct, as these counts are based solely on claims of strict liability and/or negligence under the Securities Act. This Count is brought against the Officer and Director Defendants and Defendant Sterling Partners.

85. This Claim is brought against the Officer and Director Defendants and Sterling Partners pursuant to Section 15 of the Securities Act, 15 U.S.C. §77o, on behalf of all persons or entities who purchased Adeptus Health stock issued pursuant or traceable to the Offerings.

86. The Company is liable under Section 11 of the Securities Act as set forth in Count I herein with respect to the Offerings.

87. The Individual Defendants and defendant Sterling Partners acted as controlling persons of Adeptus Health within the meaning of Section 15 of the Securities Act.

88. Defendant Sterling Partners, the Company's "Sponsor" and largest shareholder at the time of the Offerings, had the power to influence and exercised the same to cause the Company to engage in the conduct complained of herein and is therefore a control person of Adeptus Health. By reason of such conduct, defendant Sterling Partners is liable pursuant to Section 15 of the Securities Act.

89. Each of the Officer and Director Defendants was a control person of the Company with respect to certain or all of the Offerings by virtue of that individual's position as a senior executive officer and/or director of the Company. These Defendants each had a series of direct and/or indirect business and/or personal relationships with other directors and/or officers and/or major shareholders of Adeptus Health. By reason of their positions within the Company and/or their stock ownership and/or because of their positions on Adeptus Health's Board of Directors, the Officer and Director Defendants had the requisite power to directly or indirectly control or influence the specific corporate policies that resulted in the unlawful acts and conduct alleged in Count I.

90. Each of the Officer and Director Defendants was a culpable participant in the violations of Sections 11 and 12(a)(2) of the Securities Act alleged in Count I above, based on

their having signed the Offering Documents and having otherwise participated in the process that allowed the Offerings to be successfully completed. These Defendants, by virtue of their managerial and/or board positions with the Company, controlled the Company as well as the contents of the Offering Documents at the time of the Offerings. Each of the Officer and Director Defendants was provided with or had unlimited access to copies of the Offering Documents and had the ability to either prevent their issuance or cause them to be corrected. Defendant Sterling Partners was a culpable participant in the violations of Section 12(a)(2) of the Securities Act alleged in Count II above, based on its having participated in the process which allowed the Offerings to be successfully completed.

91. By virtue of the foregoing, Plaintiff and other members of the Class who purchased or otherwise acquired the Company's common stock pursuant and/or traceable to the Offerings are entitled to damages against the Officer and Director Defendants and Defendant Sterling Partners.

VI. CLAIMS UNDER THE EXCHANGE ACT

A. Parties

1. Plaintiff

92. Plaintiff purchased Adeptus Health shares during the Class Period and was damaged thereby.

2. Exchange Act Defendants

i. The Company

93. As described above, Defendant Adeptus Health is an operator of free-standing emergency rooms in Texas, Colorado and Arizona, is incorporated in Delaware and maintains its principal offices at 2941 South Lake Vista Drive, Lewisville, TX 75067 Lewisville, Texas.

ii. The Individual Defendants

94. As stated above, Defendant Hall was, at all relevant times, CEO of Adeptus Health.

95. As stated above, Defendant Fielding was CFO of Adeptus Health until September 30, 2016.

96. Defendants Hall and Fielding are collectively referred to hereinafter as the "Individual Defendants."

97. The Individual Defendants and Adeptus Health are collectively referred to herein as the "Exchange Act Defendants."

B. False and Misleading Statements

98. Throughout the Class Period, Adeptus Health and the Individual Defendants repeatedly made false and misleading statements and omissions concerning the Company's business, operations and prospects, causing Adeptus Health common stock to be inflated during the Class Period.

99. On June 30, 2014 Adeptus Health issued its IPO Offering Documents, which contained, in relevant part, the following:

> **What We Do and Why We are Different**
>
> We focus exclusively on providing emergency care through our freestanding emergency rooms with the goal of improving the quality of care and enhancing the overall experience for patients and physicians. We have developed an innovative facility design and infrastructure specifically tailored to the emergency care delivery system that combines staff, equipment and physical layout to deliver high-quality, cost-effective care. This approach limits the need to move patients and provides ease of access to all necessary medical services we provide, allowing us to enhance the overall experience of the patient. Our facility design also allows physicians and nursing staff to provide all levels of care required for our patients during their visit. Our philosophy is to center care around the patient, rather than expect the patient to adapt to our facilities and staff. We believe our

focused approach increases patient, physician and staff satisfaction. Innovative characteristics of our emergency facilities include:

• ***24 / 7 Emergency Care.*** Freestanding emergency room facilities, which typically range from approximately 6,000 to 7,000 square feet and are located in a convenient, local community setting and open 24 hours a day, seven days a week with on-site emergency staff, including a physician, at all times;
• ***Board-Certified Physicians.*** Staffed with experienced healthcare professionals capable of handling all emergency issues. As of March 31, 2014, we contracted with approximately 260 Board-certified physicians with an average of 16 years of medical experience who have treated more than 400,000 patients at our facilities;
• ***Streamlined.*** Streamlined check-in process designed to have patients seen by a physician within minutes;
• ***Focused Capability.*** Typically six to nine emergency exam rooms, which include two high-acuity suites, one child-friendly pediatric room and a specialized obstetrics/gynecology room;
• ***Coordinated Care.*** Centralized nurses' station that serves as a command center to coordinate care;
• ***Full Radiology Suite.*** In-house diagnostic imaging technology, including CT scanners, digital x-rays and ultrasounds, with final reads from on-call radiologists; and
• ***On-Site Laboratory.*** On-site laboratories, which provide results within approximately 20 minutes, and are certified by the Clinical Laboratory Improvements Amendments, or CLIA, and accredited by the Commission on Office Laboratories Accreditation, or COLA.

We operate at the higher end of the acuity and emergency care spectrum. Our capabilities and offerings differ from other care models as outlined below:

Market Opportunity

Freestanding emergency rooms remain the least penetrated alternate site provider segment in the U.S. healthcare sector. We believe this represents a significant opportunity to deliver quality care in the freestanding emergency room setting and transform this underpenetrated market. We have developed a highly scalable business model for establishing new freestanding emergency rooms that include attractive unit economics, sophisticated data analytics to support our site-selection process, proven real estate development practices and innovative marketing programs. Using this model, we have grown to become more than twice the size of our next largest independent freestanding emergency room competitor and are expanding rapidly. We seek to transform the emergency care delivery model by offering high-quality, efficient and consumer-oriented healthcare in our local communities.

We also believe that we offer a dramatically improved patient experience relative to traditional hospital emergency departments by significantly reducing wait times and providing rapid access to Board-certified physicians on-site. We also provide convenient access to critical, high-acuity care as compared with urgent care centers and are open 24 hours a day, seven days a week. Based on patient feedback collected by Press Ganey Associates, Inc., or Press Ganey, an independent healthcare advisory services and consulting organization that specializes in the improvement of the patient experience, First Choice Emergency Room received the prestigious Guardian of Excellence Award in 2013 for exceeding the 95th percentile in patient satisfaction nationwide.

Our Value Proposition

Based on our management team's experience and industry knowledge, we believe our compelling value proposition and the nature of our service offerings benefit patients, communities, physicians, payors and hospitals, thereby improving the quality of care and lowering overall healthcare costs.

Value Proposition for Patients

We offer patients an attractive value proposition:

• ***Access to Care.*** Our facilities are located in a convenient, local community setting and are open 24 hours a day, seven days a week with on-site emergency staff, including a Board-certified physician at all times.
• ***Immediate Care.*** A streamlined check-in process designed to have patients seen by a physician within minutes.
• ***Physician Focus.*** Our physicians are focused on the patient, spending more time on patient care than on administrative tasks, providing high-quality service, prompt diagnoses and the appropriate medical treatment.
• ***Technology.*** Facilities equipped with full radiology suites, including CT scanners, digital x-rays and ultrasounds, as well as on-site laboratories certified by CLIA and accredited by COLA that provide test results within approximately 20 minutes.
• ***Superior Experience.*** An overall enhanced patient experience.

Value Proposition for Communities

We offer communities an attractive value proposition:

• ***Access to Care.*** Facilities located in convenient, local community settings. Approximately 60% of each facility's patients come from a three-mile radius, with approximately 80% coming from a five-mile radius.
• ***24 / 7.*** Access to Board-certified physicians at all times, including outside normal business hours.
• ***Partnership.*** Key partner for health systems seeking to enhance their local community presence through direct admissions relationships and new innovative partnerships.

• ***Care Continuum.*** Connectivity across the patient-care continuum from patient referrals to post-emergency care.

Value Proposition for Payors

We believe that our emergency room facilities reduce overall costs for payors by reducing unnecessary tests and patient admittances. According to the National Hospital Ambulatory Medical Care Survey, the national average emergency room inpatient admittance rate was approximately 13.3% in 2010, while our average inpatient admittance rate was approximately 3.4% for the year ended December 31, 2013. We believe our facilities provide comprehensive emergency care with an acuity mix that is comparable to hospital-based emergency rooms.

Value Proposition for Hospitals

We have an attractive business model that provides communities direct access to emergency care, helping to relieve the overburdened hospital emergency room system. Our facilities provide high-quality emergency care for a wide variety of conditions, including heart attacks, severe abdominal pain and respiratory distress similar to the care provided in traditional hospital emergency rooms. When hospital-based services such as surgery or cardiac catheterization are needed, patients are stabilized at our facilities before being transferred to nearby hospitals via ambulance. Transfer agreements are in place with local hospitals that often facilitate direct admission.

100. On July 30, 2014, Adeptus Health issued a press release announcing its financial results for the quarter ended June 30, 2014, which stated, in pertinent part, the following:

Second Quarter 2014 Highlights:

- Net patient service revenue was $44.2 million, an increase of 80.6% over prior year;

- Adjusted EBITDA was $5.9 million, an increase of 43.1% over prior year;

- Net loss attributable to Adeptus Health Inc. (operations for the 6 days following the initial public offering) was $2.0 million, including costs associated with our initial public offering of $2.4 million;

- Adjusted net loss per share was $(0.22) and GAAP net loss per share was $(0.21);

- Patient volumes (number of patient visits) were 31,134, an increase of 70.9% over prior year; and

- The Company opened six freestanding facilities during the second quarter 2014 for a total of 38 operating facilities.

* * *

Results of Operations for the Second Quarter 2014

For the second quarter of 2014, ADPT generated net patient service revenue of $44.2 million, an increase of 80.6%. The increase was primarily attributable to the impact of increased patient volumes from the expansion of the number of freestanding facilities from 17 to 38.

Adjusted EBITDA was $5.9 million, an increase of 43.1%. This increase was primarily attributable to a $19.7 million increase in net patient service revenue, partially offset by increases in salaries, wages and benefits and other costs related to our growth initiatives.

ADPT incurred a net loss of $9.4 million for the quarter, compared to net income of $1.3 million from the prior year. The increase in net loss was primarily attributable to an increase in interest expense and fees of $4.0 million related to our long-term debt, costs associated with our initial public offering of $5.0 million and an increase of other operating costs of $1.7 million related to our growth initiatives.

101. On August 8, 2014, Adeptus Health filed its Q2 2014 10-Q, which reiterated the above statements, and included the following certifications from Defendants Fielding and Hall:

> 1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015 of Adeptus Health Inc.;
>
> 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
>
> 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
>
> 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

102. On October 29, 2014, Adeptus Health issued a press release announcing its results for the third quarter ended September 30, 2014, which stated, in pertinent part, the following:

Third Quarter 2014 Highlights:

- Net patient service revenue was $57.6 million, an increase of 143.7% over prior year;
- Adjusted EBITDA was $7.0 million, an increase of 157.0% over prior year;
- Net loss attributable to Adeptus Health Inc. was $1.6 million;

- Adjusted earnings per share was $0.01 and GAAP net loss per share was $(0.16);

- Patient volume (number of patient visits) were 39,522, an increase of 134.4% over prior year; and

- The Company opened 13 freestanding facilities during the third quarter 2014 for a total of 51 operating facilities.

Results of Operations for the Third Quarter 2014

For the third quarter of 2014, ADPT generated net patient service revenue of $57.6 million, an increase of 143.7%. The increase was primarily attributable to the impact of increased patient volumes from the expansion of the number of freestanding facilities from 19 to 51.

Adjusted EBITDA was $7.0 million, an increase of 157.0%. This increase was primarily attributable to a $34.0 million increase in net patient service revenue, partially offset by increases in salaries, wages and benefits and other costs related to our growth initiatives. See "Non-GAAP Financial Measures Description and Reconciliation" and "Reconciliation of Adjusted EBITDA to Net Loss" below for further information related to Adjusted EBITDA and its reconciliation to net loss.

ADPT incurred a net loss of $3.6 million for the quarter, of which $1.6 million was attributable to Adeptus Health Inc., compared to a net loss of $1.5 million from the prior year. The increase in net loss was due to an increase in interest expense and fees of $1.9 million related to our long-term debt, an increase of $2.5 million in preopening costs associated with new facility openings, and an increase of $2.0 million in depreciation and amortization expense. The increase in these expenditures was partially offset by new facility operating income.

Adjusted earnings per share was $0.01 per share and GAAP net loss per share was $(0.16) per share for the quarter. Adjusted earnings per share is calculated using a weighted average of both Class A and Class B common shares outstanding, which was 20,626,169 common shares at September 30, 2014. Adjustments for the quarter include $3.1 million of preopening costs associated with new facility openings, $0.4 million of stock compensation expense, $0.2 million of initial public offering costs, $0.5 million of other costs associated with our growth initiatives and an adjustment for taxes in order to establish a normalized tax rate of 35% for comparability purposes. See "Non-GAAP Financial Measures Description and Reconciliation" and "Earnings Per Share Reconciliation" below for further information related to Adjusted earnings per share and its reconciliation to net loss.

At September 30, 2014, the Company had total long-term debt of $100.0 million. Total availability under the debt facility was $89.4 million.

103. On November 7, 2014, Adeptus Health filed its Q3 2014 10-Q, which reiterated the above statements. Defendants Hall and Fielding also made the same certifications as listed above.

104. On February 27, 2015, Adeptus Health filed its 2014 10-K. The 2014 10-K stated, in pertinent part, the following:

> **Market Opportunity**
>
> In their 2014 National Report Card on America's emergency care environment, ACEP assigned an overall grade of "D-" for the category of access to emergency care, reflecting too few emergency departments to meet the needs of a growing, aging population and the projected increase in the number of insured individuals as a result of PPACA. We believe freestanding emergency rooms are an essential part of the solution.
>
> Freestanding emergency rooms remain the least penetrated alternate site provider segment in the U.S. healthcare sector. As of 2012, there were approximately 400 freestanding emergency rooms in the United States as compared to approximately 1,400 retail clinics, 6,000 ambulatory surgery centers and 9,300 urgent care centers. We believe this represents a significant opportunity to deliver quality care in the freestanding emergency room setting and transform this underpenetrated market. We have developed a highly scalable business model for establishing new freestanding emergency rooms that include attractive unit economics, sophisticated data analytics to support our site-selection process, proven real estate development practices and innovative marketing programs. Using this model, we have grown to become more than three times the size of our next largest independent freestanding emergency room competitor and are expanding rapidly. We seek to transform the emergency care delivery model by offering high-quality, efficient and consumer-oriented healthcare in our local communities.
>
> We also believe that we offer a dramatically improved patient experience relative to traditional hospital emergency departments by significantly reducing wait times and providing rapid access to Board-certified physicians on-site. We also provide convenient access to critical, high-acuity care as compared with urgent care centers and are open 24 hours a day, seven days a week. Based on patient feedback collected by Press Ganey, First Choice Emergency Room received the prestigious Guardian of Excellence Award in 2013 and 2014 for exceeding the 95th percentile in patient satisfaction nationwide.
>
> * * *
>
> ***Value Proposition for Payors***

We believe that our emergency room facilities reduce overall costs for payors by reducing unnecessary tests and patient admittances. According to the National Hospital Ambulatory Medical Care Survey, the national average emergency room inpatient admittance rate was approximately 11.6% in 2011, while our average inpatient admittance rate was approximately 3.8% for the year ended December 31, 2014. We believe our facilities provide comprehensive emergency care with an acuity mix that is comparable to hospital-based emergency rooms.

* * *

Billing and Payment

We obtain patient service revenues by collecting fees from patients, insurance companies, and other third-party payors for the professional and technical services provided in our facilities. All billing and coding is done by a centralized team. Claims are typically coded and filed within 72 hours of a patient visit. We manage the entire collections cycle up until the point that an account is written off and transferred to a third-party collection service. Our general practice, where possible, is to collect estimated co-payments at the facility. Claims are submitted electronically if the payor accepts electronic claims. We require claims submitted to third-party payors be paid within timeframes that are generally consistent with industry standard practices, which vary based upon payor type.

We receive payment for patient services from a variety of third-party payors, such as:

health maintenance organizations, preferred provider organizations and private commercial insurance providers; and

out of pocket payments from patients.

Charges for all services provided to insured patients are initially billed to and processed by the patients' insurance provider. We have agreements with insurance companies that provide for payments at amounts different from our established rates. Differences between established rates and those set by insurance programs, as well as charity care, employee and prompt pay adjustments, are recorded as adjustments directly to patient service revenue. Estimated uncollectible amounts from insured patients are recorded as bad debt expense in the period the services are provided. Collection of payment for services provided to patients without insurance coverage is done at the time of service.

We write off as bad debt expense uncollectible accounts receivable arising from insured patient responsibility after all collection efforts have been exhausted and we have determined such accounts will not be collected. We believe that the collections process is another opportunity to differentiate ourselves in our patient's minds. Our staff is trained to educate our patients on how the insurance company has determined the amount to pay on the claim.

105. Adeptus Health's 2014 10-K also contained certifications from Defendants Hall and Fielding, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("SOX"), that: 1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and 2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

106. On April 23, 2015, Adeptus Health issued a press release announcing its financial results for the quarter ended March 31, 2015. The press release stated, in pertinent part, the following:

First Quarter 2015 Highlights:

- Net operating revenue was $81.5 million versus $38.8 million in prior year, an increase of 110.0%;
- Adjusted EBITDA was $13.3 million versus $5.1 million in prior year, an increase of 160.4%;
- Adjusted earnings per share was $0.16 and GAAP earnings per share was $0.06;
- Net income attributable to Adeptus Health Inc. was $0.6 million; and
- The Company opened seven freestanding facilities during the first quarter 2015.

107. The press release also stated, in pertinent part, the following:

Systemwide Financial Results

For the first quarter of 2015, ADPT generated systemwide net patient services revenue of $84.0 million, an increase of 116.5%. The increase was primarily attributable to the impact of increased patient volumes from the expansion of the number of freestanding facilities from 32 to 62, higher acuity levels, annual gross charge increases and the opening of Dignity Health Arizona General Hospital, a full service general hospital located in Laveen, Arizona.

108. Also on April 23, 2015, Adeptus Health held an earnings conference call with analysts and investors, during which Defendant Fielding stated:

> For the first quarter of 2015 Adeptus Health generated net operating revenue of $81.5 million, an increase of 110% from the first quarter of 2014. The growth was primarily due to higher patient volumes resulting from the increase in the number of free standing facilities, higher acuity levels and annual gross charge increases. The provision for bad debt was 15.6% of patient service revenue. Q1 typically has the highest bad debt percentage as health care plans start over and deductibles have not been met. We estimate full year provision for bad debt to be between 14% and 15%
>
> .* * *
>
> Our same store revenue for the quarter based on 24 facilities out of our 63 is 11.3% positive and our same store volume is 10.5% negative. What we saw there, Brooks, is we've done a lot of education of folks on the fact that we are not an urgent care, and we continue to do that. It was interesting. I actually met someone the other day that was in a different board meeting that spoke up because they were asking, are they just an urgent care? The person spoke up and said I was in one of their facilities the other day and I heard him tell three different people we are not an urgent care, we are an emergency room. **We spend a lot of energy on that which affects our volumes**. Because of that we are seeing the acuity go up. Our average acuity goes up. **When your average acuity goes up, your average revenue per patient is going to go up. With that, that's why you see volume is down, but actually same store sales is 11.3% positive**. As we move into these hospital joint ventures, we anticipate to see the volumes turn the other direction also to be positive. When we get on-line for example with the Texas hospital, and then when we get the hospitals on-line in Colorado, we expect it to be very positive.

109. Also during the conference call, Defendant Hall falsely and misleadingly stated that the Company routinely refers lower acuity patients to urgent care facilities, rather treating them and "charg[ing] them $1,000, or whatever, and make a lot of money."

110. During the same April 23, 2015 earnings conference call, Defendant Hall also stated the following:

> We think it is important that we give the right quality care to the folks that need it, and we have relationships with urgent cares and we actually send people over to them***. What's been interesting is I have run the Company now for three years and three years ago the urgent care's used to really fight with us because they thought we were just trying to steal their patients. At our board meeting***

> ***yesterday I actually had marketing show a slide where we are starting to get more referrals from urgent care's. They've realized we don't want their patients, we are not trying to take their patients. With that, they're starting to send us patients***. I don't think the transparency hurts us at all. We are already there. It doesn't hurt others and time will tell. I think we feel good about it whe we get up in the morning how we communicate with people.
>
> * * *
>
> ***We don't charge more. It is not where we are charging people more. It is not that at all. We are just really improving access to the highest quality emergency care***.
>
> * * *
>
> As we continue our growth, we are maintaining our unrelenting focus on patient care. We are ranked among the top 1% of emergency department nationwide in patient satisfaction, a testament to the outstanding quality of our team.

111. In reaction to the press release and the corresponding conference call, shares of Adeptus Health common stock rose 18%, from $52.15 per share on April 22, 2015 to close at $61.65 per share on April 23, 2015.

112. Adeptus Health filed its Q1 2015 10-Q on May 1, 2015, which was signed by Defendant Fielding, and contained signed SOX certifications from Defendants Hall and Fielding as listed above.

113. On May 4, 2015, Adeptus Health filed the first of the May 2015 SPO Documents, which failed to disclose material information required to be disclosed pursuant to the regulations governing its preparation and incorporated by reference the Company's materially false and misleading 2014 Form 10-K and the Q1 2015 Form 10-Q.

114. On July 23, 2015, Adeptus Health issued a press release announcing its financial results for the period ended June 30, 2015, which stated, in pertinent part, the following:

> **Second Quarter 2015 Highlights:**
>
> - Systemwide net patient services revenue was $104.5 million versus $44.2 million in prior year, an increase of 136%;

- Net operating revenue was $89.6 million versus $44.2 million in prior year, an increase of 103%;
- Adjusted EBITDA was $22.9 million versus $5.9 million in prior year, an increase of 286%;
- Adjusted earnings per share was $0.44 and GAAP earnings per share was $0.97;
- Net income attributable to Adeptus Health Inc. was $10.6 million;
- Cash flow from operating activities was $13.0 million versus $0.3 million in prior year; and
- The Company opened six freestanding facilities during the second quarter 2015.

115. The press release also stated the following:

2015 Guidance

Based on our strong performance in the second quarter of 2015 and continued full year growth plans including 24 freestanding facilities and two new hospitals, we are again raising guidance. We expect to generate systemwide net patient services revenue, which includes revenue from our unconsolidated joint ventures, of $400.0 million to $405.0 million for the full year 2015. We expect Adjusted EBITDA of $69.0 million to $71.0 million and Adjusted earnings per share of $1.10 to $1.15 for the full year 2015.

* * *

Systemwide Financial Results

For the second quarter of 2015, ADPT generated systemwide net patient services revenue of $104.5 million, an increase of 136%. The increase was primarily attributable to the impact of increased patient volumes from the expansion of the number of freestanding facilities from 38 to 68, annual gross charge increases and the opening of the Dignity Health Arizona General Hospital, a full service general hospital located in Laveen, Arizona.

* * *

Market Outlook

We are maintaining the growth of our freestanding emergency room network at an expected rate of opening 24 new sites per year, including both owned and joint

> venture facilities. Our second hospital, located in Carrollton, Texas, a Dallas-Ft Worth suburb, remains on schedule to open later this year.
>
> ADPT's growth is addressing the shortage of quality emergency medical care in the U.S. As the most recent American College of Emergency Physicians (ACEP) survey highlights, emergency visits are on the rise. Respondents noted that this rise is combined in part with an increase in the acuity of patients' injuries and/or illnesses. Again, this underscores the growing need for additional access points to high quality, 24/7 emergency care. Our facilities offer just that with convenient neighborhood locations.

116. On the same day, Adeptus Health held an earnings conference call with analysts and investors, during which Defendant Hall stated:

> I think when you look at our improvement in the quarter, we had good volumes, we continue to cluster, we had our joint venture now in Colorado. And then also which you saw in Q1, was you saw some pricing and pricing was being driven by acuity, change in acuity, as ***we had a higher acuity level because as we continue to focus on the fact that we're emergency room we're not an urgent care, we didn't put a lot of energy into that***.

117. In response to the press release and corresponding conference call, shares of Adeptus Health climbed 20% from $87.20 per share on July 22, 2015 to close at $105.20 per share on July 23, 2015.

118. On July 31, 2015, Adeptus Health filed its Q2 2015 10-Q, which was signed by Defendant Fielding and contained the same signed SOX certifications from Defendants Hall and Fielding as listed above.

119. Also on July 31, 2015, Adeptus Health filed the July 2015 SPO Documents, which failed to disclose material information required to be disclosed pursuant to the regulations governing its preparation and incorporated by reference the Company's materially false and misleading 2014 Form 10-K and the Q1 2015 Form 10-Q.

120. On October 22, 2015, Adeptus Health issued a press release announcing its financial results for the period ended September 30, 2015, which stated the following:

> **Third Quarter 2015 Highlights:**

- Systemwide net patient services revenue was $109.0 million versus $57.6 million in prior year, an increase of 89%;

- Net operating revenue was $88.2 million versus $57.6 million in prior year, an increase of 53%;
- Adjusted EBITDA was $18.6 million versus $7.0 million in prior year, an increase of 166%;

- Adjusted earnings per share was $0.31 and GAAP earnings per share was $0.05;

- Net income attributable to Adeptus Health Inc. was $0.7 million;

- Cash flow provided by operating activities was $4.0 million versus a usage of $14.1 million in prior year; and

- The Company opened six freestanding facilities during the third quarter 2015.

121. The press release also stated the following:

2015 Guidance

Based on our strong performance in the third quarter of 2015 and continued full year growth plans including 24 freestanding facilities and two new hospitals, we are raising our annual guidance. We expect systemwide net patient services revenue, which includes revenue from our unconsolidated joint ventures, of $405.0 million to $410.0 million for the full year 2015. We expect Adjusted EBITDA of $73.0 million to $75.0 million and Adjusted earnings per share of $1.20 to $1.25 for the full year 2015.

* * *

Systemwide Financial Results

For the third quarter of 2015, ADPT generated systemwide net patient services revenue of $109.0 million, an increase of 89%. The increase was primarily attributable to the impact of increased patient volumes from the expansion of the number of freestanding facilities from 51 to 74, annual gross charge increases and the opening of the Dignity Health Arizona General Hospital, a full service general hospital located in Laveen, Arizona.

* * *

Market Outlook

> We are maintaining the growth of our freestanding emergency room network at an expected rate of opening 24 new sites per year, including both owned and joint venture facilities. Our second hospital, located in Carrollton, Texas, a Dallas-Ft Worth suburb, remains on schedule to open in the fourth quarter.

122. On the same day, Adeptus Health held an earnings conference call with analysts and investors, during which Defendant Hall stated:

> As we continue to deliver on our growth plans, we further strengthened our financial position by closing on a $175 million new senior credit facility this month. The new facility, part of which has been used to repay our previous senior credit facility, will both lower our borrowing cost and enhance our flexibility to fund future growth. Based on the strong earnings performance in the third quarter of 2015 and full-year growth plans including 24 freestanding emergency rooms at two new hospitals, we are again raising our annual guidance. ***We now expect system-wide net patient services revenue, which includes revenue from unconsolidated joint ventures of $405 million to $410 million for the full year. We expect adjusted EBITDA of $73 million to $75 million and adjusted earnings per share of $1.20 to $1.25 for the full-year 2015***.
>
> * * *
>
> If you think about acuity, our acuity has risen. And recently, I was giving some people some perspective on that and what is going on. ***But basically levels three, four and five make up 93% of our patients today. And they're all what you would consider to be emergency room patients***. And so it's really only about 7% or what you would consider some type of urgent care, and the vast majority of those patients are seen after hours, when we are the option, the only option. And so, I don't know if we'll continue to see our acuity rise, because it's risen quite a bit, but you may.
>
> * * *
>
> ***The reason the volumes have continued to be negative is because we've continued to cluster, and because we know we're bringing these hospitals online and we know that we want to be dominant in the markets where we're located***. We've done a lot of clustering down at Houston.
>
> * * *
>
> ***We try to get patients into the right care, the right level of care that they need, and it is really that, that's driving it.*** *That being said, if you come in and you don't have the ability to pay and you need to be seen, we will see you.* ***We absolutely will see you. We see everybody.***

123. On the same conference call, Defendant Fielding stated the following:

Before I pass it over to questions, the market is pretty crazy out there, as you might imagine, and I kind of just want to put this in perspective for people. When you look at 2015, in 2014 we had revenues of $210 million and adjusted EBITDA of $28.2 million. In February, we gave guidance of $50 million of EBITDA. After Q1 we gave guidance of $60 million of EBITDA. After Q2, we gave guidance of $69 million to $71 million of EBITDA and today we have given guidance of $73 million to $75 million of EBITDA and revenue of $405 million to $410 million. Folks, at $73 million of EBITDA, that's up 259% over last year. At $75 million of EBITDA, it's up 266%. We are killing it here at Adeptus Health. Let's be clear. We're confident, we're executing, we're doing what's expected of us, we're beating what's expected of us. And I'm not sure why there's so much confusion out there.

124. Also on the same conference call, the following exchange took place:

<Q - Andrew Schenker>: Hey, thanks. So, good morning. Just a few follow-ups here. When we're thinking about Arizona, maybe if you could just update us on how that's progressing in terms of profitability, both with the hospital there and the freestandings you're opening. I mean you suggested 20-plus patients a day last quarter. How's that number trending?

<A - Thomas S. Hall>: Arizona is actually doing well for us. We're very, very pleased. It makes us anxious as we look at bringing our other facilities as an outpatient department of a hospital, to see if they will perform like Arizona. We nhave a great brand out there with partner Dignity and we're very, very pleased and excited to be partnering with Dignity Health. But it's doing well. The hospital emergency department is very active these days and the freestandings, and I'm just sitting here looking at it right in front of me right now, they're absolutely performing at the level we told you before, or above.

* * *

<Q - Brooks G. O'Neil>: Good morning. I have a couple of questions, too. So, could you just talk a little bit about seasonality in the business. I guess I'd confess that I thought it was possible that Q3 results might be a little better nthan Q2 since you had opened some facilities and, clearly, that did not turn out to be the case this quarter. So, what is going on there?

<A - Thomas S. Hall>: Well, Brooks, I think I'll give you two answers to that. The one is from the seasonality perspective, we talked a lot about seasonality and about Q2 – Q3 is always our slowest quarter. It's a fact that still the majority of our facilities, you got them in Texas, and, of course, in Arizona and all the places, where it's quite hot, and it's just not a real active time. People go places. They go on vacation. They go away. So unlike being in the north, where the summer is very, very busy, it's not. We're a little surprised by your questions as we beat your guidance by about $5 million, so I'm not sure how that connects up, Brooks. But the...

<Q - Brooks G. O'Neil>: Well, you did a lot better than I was modeling. But I – there's always things you want to understand better and the seasonality is definitely one of them.

<A - Thomas S. Hall>: Yeah. But the – but I mean – I don't mean to be a smartass, Brooks. Please don't take it that way. We had a great quarter, Brooks. The Company is doing really well. And for some reason, people are just really uneasy about it, and that the business is going real well. It's just typical seasonality.

125. On October 30, 2015, Adeptus Health filed its Q3 2015 10-Q, which was signed by defendant Fielding and contained the same signed SOX certifications from Defendants Hall and Fielding as listed in the above press release announcing Q3 2015 earnings.

126. The statements set forth above were materially false and misleading and/or omitted material facts regarding the Company's business, operations, financial results and prospects, including that:

a) the Company was engaged in the widespread overbilling of patients, including low-acuity patients;

b) Adeptus Health's billing practices were causing decreases in patient volume and would subject it to decreased revenues;

c) the Company's billing practices exposed it to major financial, reputational, legal and regulatory risks;

d) the Company's financial statements were not compliant with Generally Accepted Accounting Principles GAAP; and

e) as a result of the foregoing, Defendants' statements were false and misleading at all relevant times.

C. The Truth Slowly Emerges

127. On November 17, 2015, KUSA, an NBC affiliate in Denver, Colorado, published an investigative report about the billing practices at Adeptus Health's Colorado First Choice ERs (the "KUSA Report"). The KUSA Report detailed numerous instances of outrageous billing practices, such as: $3,690 for removal of a splinter, over $3,000 for a few stitches, and a "facility charge" of $6,237 for shortness of breath, the treatment for which consisted of being told to go home and relax. On this news, the Company's fell by more than 22% on unusually high trading volume, from $59.87 per share on November 17, 2015 to $46.50 per share on November 17, 2015. Despite this partial disclosure, the Company's common stock remained inflated due to the Exchange Act Defendants' failure to fully disclose the issues with the Company's business operations.

128. On February 29, 2016, Adeptus Health filed its 2015 10-K, which stated, in pertinent part, the following:

> Since our founding in 2002, our mission has been to address the need within our local communities for immediate and convenient access to quality emergency care in a patient-friendly, cost-effective setting. We believe we are transforming the emergency care experience with a differentiated and convenient care delivery model which improves access, reduces wait times and provides high-quality clinical and diagnostic services on-site. Our facilities are fully licensed and provide comprehensive, emergency care with an acuity mix that we believe is comparable to hospital-based emergency rooms.
>
> * * *
>
> **Competitive Strengths**
>
> We believe the following strengths differentiate us from our competitors and will enable us to capitalize on favorable industry dynamics:
>
> ***Leader in the Rapidly Expanding Freestanding Emergency Room Market***
>
> We are the largest freestanding emergency room operator in the United States with 81 freestanding facilities as of December 31, 2015, of which, 26 and 29 were opened in 2015 and 2014, respectively. We are more than three times the size of our next largest independent freestanding emergency room competitor. We

> believe our innovative facility model enables us to offer our customers comprehensive emergency services with individualized attention and local convenience. We believe that our scale and scope, when combined with our comprehensive service offerings and tailored best practices, differentiate us from our local and regional competitors. Given our market positions in the highly fragmented and rapidly expanding markets in which we provide our services, we believe there continue to be opportunities to build more facilities in existing and new markets as well as develop new alliances with health systems seeking to enhance their local community presence. This will result in further expanding our leadership in the freestanding emergency room market.
>
> ***Superior Patient Experience***
>
> We strive to consistently offer a superior patient experience through both our medical staff and facility capabilities. Our emergency rooms are staffed with Board-certified physicians and emergency-trained registered nurses capable of handling all emergency room issues with a physician on-site at all times. Each of our freestanding facilities is equipped with a full radiology suite, including CT scanners, digital x-ray and ultrasound, as well as on-site laboratories certified by CLIA and accredited by COLA. Our patients are typically face-to-face with a medical professional within minutes of arrival, and our patient satisfaction ratings exceed the vast majority of hospital emergency rooms nationally. Based on patient feedback collected by Press Ganey, we exceeded the 95th percentile in the nation for patient satisfaction and received the Guardian of Excellence Award in 2013, 2014 and 2015, the highest award bestowed by the organization.
>
> *Patient Service Revenue*
>
> Patient service revenue increased by $177.3 million, or 72.9%, to $420.6 million for the year ended December 31, 2015, from $243.3 million for the year ended December 31, 2014. This increase was primarily attributable to the impact of patient volumes from the expansion of the number of consolidated freestanding facilities from 46 to 62 and annual gross charge increases, offset by the deconsolidation of our Colorado locations due to the UCHealth joint venture.

129. On June 1, 2016, Adeptus Health filed the first prospectus for its June 2016 SPO Documents. On June 3, 2016, Adeptus Health filed the second and final prospectus for the June 2016 SPO Documents. The June 2016 SPO Documents contained, in pertinent part, the following:

> We are a patient-centered healthcare organization providing emergency medical care through the largest network of freestanding emergency rooms in the United States and partnerships with leading healthcare systems. In Texas, we own and operate First Choice Emergency Rooms and, in partnership with Texas Health

> Resources, operate First Texas Hospital in Dallas-Fort Worth. In Colorado, in partnership with University of Colorado Health, we operate UCHealth Emergency Rooms. Together with Dignity Health, we also operate Dignity Health Arizona General Hospital and freestanding emergency departments in Arizona. Adeptus Health is the largest and oldest network of freestanding emergency rooms in the United States. We have experienced rapid growth in recent periods, growing from 14 freestanding facilities at the end of 2012 to 88 freestanding facilities and two fully licensed general hospitals at March 31, 2016. We own and/or operate facilities currently located in the Houston, Dallas/Fort Worth, San Antonio and Austin, Texas markets, as well as in the Colorado Springs and Denver, Colorado and Phoenix, Arizona markets. In the Arizona and Dallas/Fort Worth markets, each of the freestanding facilities are outpatient departments of our hospitals in those markets.
>
> Since our founding in 2002, our mission has been to address the need within our local communities for immediate and convenient access to quality emergency care in a patient-friendly, cost-effective setting. We believe we are transforming the emergency care experience with a differentiated and convenient care delivery model which improves access, reduces wait times and provides high-quality clinical and diagnostic services on-site. Our facilities are fully licensed and provide comprehensive, emergency care with an acuity mix that we believe is comparable to hospital-based emergency rooms.

130. On July 28, 2016, Adeptus Health announced that Defendant Fielding would be leaving the Company "to pursue other business interests." In response, shares of Adeptus Health fell $1.59, or 3%, on heavy trading volume.

131. On September 7, 2016, Adeptus Health announced that Defendant Hall would be retiring from the Company within a year of that date. In response, shares of Adeptus Health fell $6.55, or 14.4%, closing at $35.70 on heavy trading volume.

132. On November 1, 2016, Adeptus Health was scheduled to announce its third quarter 2016 financial results pre-market on November 1, 2016 but the Company rescheduled its third quarter 2016 earnings release until after the market close. Moreover, the Company postponed its conference call to 5:00 p.m. on November 1, 2016, originally scheduled to be held at 10:00 a.m. on November 1, 2016. Also on November 1, 2016, the Company announced that Defendant Hall would be replaced by Defendant Scott as chairman of the Board of Directors.

The announcement of the postponed quarterly earnings "surprised investors" and "caused shares to drop 13.7% as investors fearing bad news scrambled for the exits."

133. The full extent of Adeptus Health's fraud was revealed when the Company disclosed additional problems with its business and operations after the markets closed on November 1, 2016, in its press release announcing financial results for the quarter ended September 30, 2016. Eventually, on November 1, 2016, after the market close, Adeptus Health released its third quarter earnings results whereby the Company announced that it missed earnings estimates and reported a net loss of $11.7 million in the third quarter of 2016 due to a range of issues. Adeptus Health reduced its adjusted guidance for earnings before interest, taxes, depreciation, and amortization (EBITDA) for the full year, and admitted that it needed to secure emergency financing of $27.5 million (in preferred stock) from existing investors. Adeptus Health cited "weaker than expected volumes in non-HOPD markets, collection issues associated with our third party billing agent and higher costs associated with the opening of three hospitals in the second half of the year."

134. The November 1, 2016 press release stated the following, in pertinent part:

> **Results of Operations for the Third Quarter 2016**
>
> Thomas S. Hall, CEO, stated, "Third quarter results were disappointing due to weaker than expected volumes in non-HOPD markets, collection issues associated with our third party billing agent and higher costs associated with the opening of three hospitals in the second half of the year, in Denver, Houston and Colorado Springs. We believe we have a solid grasp on the issues and are implementing necessary actions to improve the business and enhance liquidity. The Board and management team are executing a strategy to return the business to cash flow positive and believe the steps we are taking today will build a pathway toward stabilizing our cash flow from operations, enhancing our financial flexibility, regaining profitability and ensuring the Company realizes the full potential of the Adeptus business model."

* * *

> ADPT generated net loss of $11.7 million for the quarter, of which $8.1 million was attributable to Adeptus Health Inc., compared to net income of $1.5 million from the prior year, of which $0.7 million was attributable to Adeptus Health Inc. The net loss was due to significantly softer volumes in our non-HOPD markets, a decrease of $2.8 million in net operating revenue resulting from the deconsolidation of our Dallas/Fort Worth locations and a decrease in earnings from unconsolidated joint ventures.

135. In response to this news, Jefferies analyst Brian Tanquilut immediately noted that cost scrutiny may hamper Adeptus Health's oft-touted plans for expansion.

136. As reported in a *Dallas News* article dated November 2, 2016 titled, "What does financial freefall of Lewisville-based Adeptus Health say about freestanding ERs?", the market was not aware of the full extent of Adeptus Health's operational and business issues until the Company issued its press release announcing its third quarter 2016 financial results. In this regard the article stated as follows:

> Shares in Lewisville-based Adeptus Health took a major hit Wednesday after the nation's largest operator of freestanding emergency rooms reported an $11.7 million loss in the third quarter.
>
> The loss was attributed to high fixed costs that resulted in continued decline in patient volumes at facilities that are not hospital-affiliated. Adeptus refers to those facilities as non-hospital outpatient departments.
>
> The company also surprised analysts by disclosing it needed to secure $27.5 million in emergency financing from investors.
>
> Adeptus shares fell about 3 percent to $26.87 a share on Tuesday, but tanked on Wednesday. It closed down 68 percent to $8.60 a share.
>
> ***The company's low patient volume was coupled by billing and collection issues,*** and expenses associated with opening three new hospitals, which are planned for the end of the year.

137. As a result, on November 1, 2016, Adeptus stock price dropped $3.25 per share or 10.8% from $30.12 per share on October 31, 2016 to $26.87 per share, on unusually heavy trading volume. The next day, on November 2, 2016, Adeptus stock price declined an additional

$18.27 per share or 68.0% from $26.87 per share to $8.60 per share on over 34 times the average daily trading volume over the last year. This represented a massive two-day decline of $21.52 per share or 71.5%.

138. As a result of the Exchange Act Defendants' wrongful course of conduct, Adeptus Health shareholders have lost millions of dollars in their investment in the Company.

VII. SCIENTER ALLEGATIONS

139. As alleged herein, the Exchange Act Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated in or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, the Exchange Act Defendants, by virtue of their receipt of information reflecting the true facts regarding Adeptus Health, their control over, and receipt or modification of Adeptus Health's allegedly materially misleading statements, and their associations with the Company which made them privy to confidential proprietary information concerning Adeptus Health, participated in the fraudulent scheme alleged herein.

140. Defendants were also motivated to engage in this course of conduct to allow the Company and insiders to sell more than hundreds of millions of dollars in Adeptus Health common shares at inflated prices; Sterling Partners, the Company's "Sponsor" and largest beneficial owner of Adeptus Health common shares during the Class Period, sold a very large amount of its common stock holdings in the Company at artificially inflated prices during the Class Period, for proceeds well over one hundred million dollars.

VIII. PRESUMPTION OF RELIANCE

141. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market doctrine. At all relevant times, the market for Adeptus Health common stock was an efficient market that promptly digested current information with respect to the Company from all publicly-available sources and reflected such information in the prices of the Company's securities.

142. Specifically, the market for Adeptus Health's publicly traded common stock was an efficient market for the following reasons, among others:

a) Adeptus Health common stock met the requirements for listing and was listed and actively traded under the ticker symbol "ADPT" on the NYSE, a highly efficient and liquid market;

b) As a regulated issuer, Adeptus Health filed periodic public reports with the SEC;

c) Adeptus Health regularly communicated with investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

d) Adeptus Health was followed by numerous securities analysts employed by major brokerage firms throughout the Class Period who wrote reports that were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

143. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

IX. LOSS CAUSATION/ECONOMIC LOSS

144. During the Class Period, as detailed herein, the Exchange Act Defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the prices of Adeptus Health's securities and operated as a fraud or deceit on Class Period purchasers of Adeptus Health's securities by failing to disclose to investors that the Company's financial results were materially misleading and misrepresented material information. When the Exchange Act Defendants' misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the prices of Adeptus Health's securities fell precipitously as the prior inflation came out of the Company's stock price. As a result of their purchases of Adeptus Health securities during the Class Period, Plaintiff and the other Class members suffered economic loss.

145. By failing to disclose the true state of the Company's financial statements and business practices, investors were not aware of the true state of the Company's financial status. Therefore, the Exchange Act Defendants presented a misleading picture of Adeptus Health's business practices and procedures. Thus, instead of fully disclosing during the Class Period the state of the Company's business, the Exchange Act Defendants caused Adeptus Health to conceal the truth.

146. The Exchange Act Defendants' false and misleading statements had the intended effect and caused Adeptus Health's securities to trade at artificially inflated levels throughout the

Class Period. The stock price drops discussed herein caused real economic loss to investors who purchased the Company's securities during the Class Period.

147. The decline in the price of Adeptus Health's common stock after the truth came to light was a direct result of the Exchange Act Defendants' fraud finally being revealed to investors and the market. The timing and magnitude of Adeptus Health's common stock price decline negates any inference that the loss suffered by Plaintiff and the other Class members was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to the Exchange Act Defendants' fraudulent conduct. The economic loss suffered by Plaintiff and the other Class members was a direct result of the Exchange Act Defendants' fraudulent scheme to artificially inflate the prices of Adeptus Health's securities and the subsequent decline in the value of Adeptus Health securities when the Exchange Act Defendants' prior misrepresentations and other fraudulent conduct were revealed.

X. NO SAFE HARBOR

148. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements described in this Complaint. Many of the specific statements described herein were not identified as "forward-looking" when made. To the extent that there were any forward-looking statements, there was no meaningful cautionary language identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements described herein, the Exchange Act Defendants are liable for those false forward-looking statements because at the time each was made, the particular speaker knew that the particular forward-looking statement was false, and/or that the forward-looking statement was authorized and/or

approved by an executive officer of Adeptus Health who knew that those statements were false when made.

XI. CLASS ACTION ALLEGATIONS

149. Plaintiff brings this action as a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired Adeptus Health securities, pursuant and/or traceable to the Company's Offering Documents—Adeptus Health's IPO, its May 2015 SPO, its July 2015 SPO, and its June 2016 SPO—seeking to pursue remedies under the Securities Act; and purchased the Company's common stock during the Class Period, seeking to pursue remedies under the Exchange Act, who were damaged thereby (the "Class"). Excluded from the Class are Defendants, other officers and directors of Adeptus Health at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns, and any entity in which Defendants have or had a controlling interest.

150. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Adeptus Health common stock was actively traded on the NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Adeptus Health or its transfer agent, and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

151. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

b) whether statements made by Defendants to the investing public during the Class Period in connection with the Company's Offering Documents were materially inaccurate as to facts about the business, operations and prospects of Adeptus Health;

c) whether the Defendants caused Adeptus Health to issue false and misleading financial statements during the Class Period;

d) whether the Defendants acted knowingly or recklessly in issuing false and misleading statements;

e) whether the prices of Adeptus Health common stock during the Class Period was artificially inflated because of the Defendants' conduct complained of herein; and

f) whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

152. Plaintiff's claims are typical of the claims of the other members of the Class, as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of the federal laws that are complained of herein.

153. Plaintiff will fairly and adequately protect the interests of the Class and has retained competent counsel experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

154. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this suit as a class action.

XII. COUNTS AGAINST DEFENDANTS UNDER THE EXCHANGE ACT

COUNT IV
For Violation of § 10(b) of the Exchange Act and Rule 10b-5 Against the Company and the Individual Defendants

155. Plaintiff incorporates by reference each and every preceding paragraph as though fully set forth herein.

156. Plaintiff asserts this Count pursuant to § 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder against the Company and the Individual Defendants.

157. During the Class Period, the Exchange Act Defendants disseminated or approved the false statements set forth above, which they knew or deliberately disregarded were false and misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

158. The Exchange Act Defendants violated § 10(b) of the 1934 Act and Rule 10b-5 in that they:

a) employed devices, schemes, and artifices to defraud;

b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

c) engaged in acts, practices, and a course of business that operated as a fraud or deceit upon Plaintiff and others similarly situated in connection with their purchases of Adeptus Health common stock during the Class Period.

159. By virtue of their positions at Adeptus Health, the Exchange Act Defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein, and intended thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, the Exchange Act Defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to the Exchange Act Defendants. Said acts and omissions of the Exchange Act Defendants were committed willfully or with reckless disregard for the truth. In addition, each Defendant knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

160. Information showing that the Exchange Act Defendants acted knowingly or with reckless disregard for the truth is within the Exchange Act Defendants' knowledge and control. As the senior executive managers and/or directors of Adeptus Health, the Individual Defendants had knowledge of the details of Adeptus Health's internal affairs.

161. The Individual Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Individual Defendants were able to and did, directly or indirectly, control the content of the statements of

Adeptus Health. As officers and/or directors of a publicly-held company, the Individual Defendants had a duty to disseminate timely, accurate, and truthful information with respect to Adeptus Health's businesses, operations, future financial condition, and future prospects. As a result of the dissemination of the aforementioned false and misleading reports, releases, and public statements, the market price of Adeptus Health securities was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning Adeptus Health's business and financial condition which were concealed by the Exchange Act Defendants, Plaintiff and the other members of the Class purchased or otherwise acquired Adeptus Health securities at artificially inflated prices and relied upon the price of the securities, the integrity of the market for the securities, and/or upon statements disseminated by the Exchange Act Defendants, and were damaged thereby.

162. Plaintiff and the other members of the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Adeptus Health common stock. Plaintiff and the other members of the Class would not have purchased Adeptus Health common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by the Exchange Act Defendants' misleading statements.

COUNT V
For Violation of §20(a) of the Exchange Act
Against the Individual Defendants

163. Plaintiff incorporates by reference each and every preceding paragraph as though fully set forth herein.

164. Plaintiff asserts this Count pursuant to Section 20(a) of the Exchange Act against the Individual Defendants.

165. The Individual Defendants, by virtue of their executive leadership positions in Adeptus Health, had the power and authority to cause Adeptus Health to engage in the wrongful conduct complained of herein, and to control the contents of Adeptus Health's annual and quarterly reports and press releases. They were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to or shortly after their issuance, and had the ability and opportunity to prevent their issuance or cause them to be corrected.

166. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to Adeptus Health's financial condition and results of operations, and to correct promptly any public statements issued by Adeptus Health which had become materially false or misleading.

167. Because of their positions of control and authority as senior executive officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Adeptus Health disseminated in the marketplace during the Class Period concerning Adeptus Health's results of operations. Each of the Individual Defendants exercised control over the general operations of Adeptus Health, and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain. The Individual Defendants therefore, were "controlling persons" of Adeptus Health within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Adeptus Health securities.

168. Adeptus Health violated Section 10(b) and Rule 10b-5 by its acts and omissions as alleged in the Complaint, and as a direct and proximate result of those violations, Plaintiff and

the other members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

169. By reason of their control of Adeptus Health, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for Adeptus Health's violations of Section 10(b) and Rule 10b-5, to the same extent as Adeptus Health.

XIII. PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment as follows:

A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;

B. Awarding Plaintiff and the other members of the Class damages, including interest;

C. Awarding Plaintiff reasonable costs and attorneys' fees; and

D. Awarding Plaintiff such other or further relief as the Court may deem just and proper.

XIV. JURY DEMAND

Plaintiff hereby demands a trial by jury as to all issues so triable.

Dated: November 16, 2016

Respectfully submitted,

By: */s/ Roger F. Claxton*

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